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Tomatoes and Products

Annual

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Report Highlights:

MY2002 tomato paste production is projected at 220,000MT, about thirty percent higher than last year. Processors appear to be taking advantage of higher local prices due to a decrease in local stocks as well as expectations for a slight increase in exports. The EU is not permitting Turkey to utilize its 38,400MT duty-free quota for tomato paste exports due to an ongoing dispute about access for EU products under the EU-Turkey Customs Union agreement .

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Ankara [TU1], TU

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Executive Summary

MY2002 industrial tomato area and production is estimated to increase about thirty percent. Production declined during the two previous years in response to low world prices for paste and farmer dissatisfaction with returns for industrial tomatoes. The increase this year is attributed to insufficient local stocks and expectations for increased exports. MY2002 tomato paste production is estimated at 220,000MT compared to 170,000MT in MY2001. Processors, who are concerned about increased production in China and California, as well as low export prices in China, are not willing to increase production to the 300,000MT level which was achieved a few years ago. Access to EU markets also remains a major problem.

Available data indicate that Turkish tomato paste exports during the first half of MY2001 were 67,672MT. Japan (11,118MT), Russia (10,651MT) and S. Arabia (7,250MT) were the leading export destinations. Turkey appears to be losing its export markets, mostly to China, due to more competitive prices. Turkish MY2001 tomato paste exports are expected to be about 100,000MT down from 134,914MT in MY2000 and 190,638MT in MY1999. MY2002 exports are forecast at 110,000MT.

Low domestic production decreased MY2001 stocks to a historically low level of approximately 3,000MT. Higher production in MY2002 is expected to also result in increased stock levels.

During the last twelve months, retail prices for processed tomato products increased eighty percent, well above the fifty-two percent annual inflation, due to scarcity of the product.

The EU is not permitting Turkey to utilize its 38,400 MT duty free paste export quota due to disagreements over Turkey's meat import obligations. Negotiations are still continuing. Non-quota Turkish tomato paste exports to the EU are subject to a 15 percent import duty.

PSD Table						
Country	Turkey					
Commodity	Tom. Paste, 28-30% TSS Basis				(MT)(MT, Net Weight)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Deliv. To Processors	1725000	1725000	1100000	1100000	0	1350000
Beginning Stocks	25035	25035	38121	38121	3121	3121
Production	265000	265000	170000	170000	0	220000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	290035	290035	208121	208121	3121	223121
Exports	134914	134914	100000	100000	0	110000
Domestic Consumption	117000	117000	105000	105000	0	107500
Ending Stocks	38121	38121	3121	3121	0	5621
TOTAL DISTRIBUTION	290035	290035	208121	208121	0	223121

Production

Commercial tomato paste production for MY2002 is projected to be about 220,000 MT representing about thirty percent increase from last year. Higher prices which are the result of low domestic stocks and expectations of a slight increase (ten percent) in exports are the reasons for the increase. In addition to commercial production, about 5,000 MT of tomato paste is estimated to be produced for home consumption.

Tomatoes are grown throughout Turkey but the bulk of production is concentrated in the Marmara (western Turkey) and Aegean (southwestern Turkey) regions where climatic conditions are nearly ideal. Recent trends in tomato production include increased greenhouse production in southern Turkey for fresh consumption in urban areas during the winter, as well as expanded production of early varieties of industrial tomatoes in Southeastern Turkey to take advantage of the massive Southeastern Anatolian Development Project (GAP) which provides irrigation.

Industry observers unofficially forecast total MY2002 tomato production at about 6.8 MMT. Usually tomatoes produced for processing comprise about twenty-five percent of Turkey's total production, but in MY2002 less than twenty percent is expected to be used for processing and the remainder destined for fresh consumption. Processing tomatoes are grown mainly in the township of Balikesir and Canakkale of the Marmara region and Bergama and Turgutlu of the Aegean regions. Tokat of Central Anatolia is also emerging as a production center due to the proximity of the processing industry.

Tomato production is labor intensive and the bulk of production occurs on small, family farms. Most planting continues to be done by hand. In both regions, seedlings are started around mid-March and are transplanted after the danger of frost has passed -- generally after mid-to-late April. Harvest of early varieties begins in late July, with the peak harvest

occurring around mid-August. Growers generally begin to pick the crop as soon as about half of a field is ripe. Since all harvesting is done by hand, three or even four pickings are possible. Depending on the weather, hand-picking can extend the harvest until early October. About 80 percent of the processing tomato crop is grown under commercial contract, mainly with the larger tomato processors. The remaining 20 percent of the crop is grown independently to supply the smaller processors, who generally do not contract. This production also supplies the home processing market.

Consumption

About 75 to 80 percent of Turkey's total tomato production is consumed fresh and the remainder is processed. Of the 20 to 25 percent of the crop that is processed, about 80 percent is used to produce tomato paste, 15 percent is utilized for canned tomatoes, and the remainder is used for ketchup, juice and other products. Total (nominal) tomato paste production capacity is estimated at about 400,000 MT, assuming three shifts and a 60-day harvest. However, hot summer weather often shortens harvest, significantly reducing actual capacity to about 340,000 MT.

Currently, there are about 45 firms in the industry. Six or seven large firms (average annual tomato paste production of 15,000 to 20,000 MT) account for about 70 percent of total tomato paste production. Most of large firms can process 2,000 to 3,000 MT of tomatoes daily. The industry product yield (tomatoes to paste) generally is reported at about 6.0 kilograms of tomatoes yields 1.0 kilograms of paste.

Prices

(1US\$=1,400,000TL on May 24, 2002)

Because of Turkey's high inflation rate (between 60 to 120 percent each year during the last ten years) and devaluation rate, price information in nominal terms is difficult to calculate and is not very meaningful. Under commercial contracts, processors supply inputs and agree to buy all production that meets specifications at a set price. However, since the contract price is lower than the prevailing market price (because the value of the supplied inputs is deducted) diversion of production to non-contracting processors or to the fresh market is a constant concern.

For MY2002 processors agreed to pay TL80,000 per kilogram for industrial tomatoes representing a thirty-eight percent increase from the MY2001 contracting price of TL 50,000 per kilogram delivered to the factory. Growers are reported to be somewhat happy with contract prices but some farmers are continuing to plant corn, rice and vegetables instead.

Canned tomato paste currently retails for about TL1,800,000 per kilogram compared to TL1,000,000 last year, which is much more than the fifty-two percent annual inflation rate due to low domestic stocks.

Trade

Available data indicates that Turkey has exported a total of 67,672MT paste during the first half of MY2001 compared to 81,782MT exports for the same period a year ago. Overall year end exports is also expected to be lower, about 100,000MT, compared to 134,914MT last year.

The Turkish tomato paste industry is very dependent on exports. In recent years, exports to traditional markets,

particularly Algeria and Libya have declined sharply as a result of political and economical problems in the importing countries. To compensate for the loss of these markets, the Turkish industry is turning increasingly to quality markets, particularly Japan and non-EU European countries. Japan continues to be Turkey's leading export destination because the Japanese prefer the color and taste of Turkish paste and believe that hand picking improves the quality. Several Japanese firms are in partnership with Turkish processors and the trend to greater Japanese investment in the industry is expected to continue. On the other hand Russia and Ukraine are emerging to be new price sensitive markets for Turkish paste. Beginning in 1999, however, Turkey reportedly is facing increasing competition from China in Iran, the FSU and other far eastern markets. Chinese tomato paste to far eastern countries is reported to be about US\$200 per ton cheaper than Turkish paste.

The EU is not allowing Turkey to utilize its 38,400MT of duty free tomato paste export quotas due to dispute over duty free EU meat exports to Turkey. Over-quota imports are subject to a 15 percent tariff. Industry members believe that Turkey has a competitive advantage in production and processing over European producers and will benefit from the resolution of quota disputes within the agricultural customs union.

Industry and trade representatives indicate that the current local price for export quality tomato paste is between USD650-700 per MT -- the lowest of the past several years.

Export Trade Matrix			
Country	Turkey		
Commodity	Tom. Paste, 28-30 % TSS Basis		
Time period	MY2001	Units:	Metric tons
Exports for:	Sept-Feb		1
U.S.	611	U.S.	
Others		Others	
Japan	11118		
Russia	10651		
S. ARABIA	7250		
U.A.E.	5668		
Malaysia	3602		
Philippines	2822		
Germany	2528		
Egypt	2371		
Kuwait	2018		
Algeria	1897		
Total for Others	49925		0
Others not Listed	17136		

Grand Total	67672		0
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Stocks

There are no official statistics on tomato and tomato products production and stocks. Yet the industry resources estimate the 2001 marketing year-end stocks to be at record lows – in the vicinity of 3,000MT. Due to the increased production stocks are expected to be about 5,621MT at the end of MY2002 – still way below industry average of 10,000MT. Most of the stock is reported to be in cans and suitable to be consumed in the local market or in border trade. The stock figure in this report is calculated as a residual from the other factors and includes all products in all parts of the distribution network.

Policy

Other than the credit available from the Agricultural Bank of Turkey at about 50% of commercial rates, the government does not support prices or otherwise assist tomato production. All production and marketing are handled by the private sector.

Tariff Changes

Turkey decreased its tomato paste import tariffs slightly in 2002 to 138.9 percent.

Export Subsidies

While the program is not announced for the 2002 production season, it is expected that exporters of tomato paste will be eligible for a tax rebate (tax reduction) of \$65/ton. Also, for tomato paste exports produced using tomatoes purchased under contract, an additional 40 percent (\$26) of which 80 percent goes to the farmer and 20 percent goes to the exporter (manufacturer) will be paid.